

**SURREY COUNTY COUNCIL****CABINET****DATE: 27 JUNE 2017****REPORT OF: MR MIKE GOODMAN, CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT****MR TIM OLIVER, CABINET MEMBER FOR PROPERTY AND BUSINESS SERVICES****LEAD OFFICER: LAURA FORZANI, ASSISTANT DIRECTOR, PROCUREMENT AND COMMISSIONING****TREVOR PUGH, STRATEGIC DIRECTOR ENVIRONMENT & INFRASTRUCTURE****SUBJECT: SURREY COUNTY COUNCIL PUBLIC BUS CONTRACT RETENDERING 2017****SUMMARY OF ISSUE:**

Surrey County Council is responsible for sourcing sustainable, safe, secure and reliable local bus services as defined by the Transport Acts 1985 and 2000. These services enable residents to access employment, education, medical appointments, essential food shopping and other key services.

The report seeks to award twenty four contracts to nine operators, for the provision of Public Bus Services to commence on Saturday 2 September 2017. Of these, twenty two contracts relate to north Surrey, principally in the Elmbridge, Runnymede, Spelthorne and Woking areas, for services currently or formerly operated by Abellio. The remaining two contracts are for services in the rural area between Guildford and Cranleigh. The report provides details of the procurement process, including the results of the evaluation process, and, in conjunction with the Part 2 report demonstrates why the recommended contract award delivers best value for money.

The current contracts which expire on 1 September 2017 have been retendered and if awarded will commence on 2 September 2017.

Overall, these proposals seek to maintain the existing network of bus provision, with some improvements proposed in certain areas.

**RECOMMENDATIONS:**

It is recommended that:

1. the background information set out in this report be noted: and
2. following consideration of the results of the procurement process in Part 2 of the meeting, the award of contracts to the following nine operators be

agreed:- Hallmark Connections, Falcon Coaches, Stagecoach South, Cardinal Buses, Reptons Coaches, C E Jeatt & Son, London United Busways, Carlone Buses and Compass Travel. The contract length will be three years with the option to extend up to a maximum of eight years as permitted by the 1985 Transport Act. The total annual value of these contracts will be £2.827m of which £2.619m relates to the services in north Surrey.

#### **REASON FOR RECOMMENDATIONS:**

This recommendation will enable SCC to achieve:

- A net full year saving of £0.7m compared to the previous aggregated cost of the routes
- A robust bus network delivery of essential public transport to residents of Surrey.
- Services delivered by Operators who are reputable and meet the Council's minimum level of quality.
- Funding arrangements with Operators that are sustainable
- Ensuring the Council complies with the Procurement Standing Orders (PSO), requiring Cabinet approval for those contracts that reach a specified value.

#### **DETAILS:**

##### **Business Case**

1. Whilst some bus services are provided by operators on a commercial, non-contracted basis, there are many services that are not commercially-viable, being only sustainable with funding support from a local authority. The required funding to support these services is established through a competitive tendering exercise.
2. Bus routes funded by the County Council serve communities across Surrey. Providing these routes helps residents to access employment, education and essential food shopping. They also reduce social isolation and support independent living, whilst also offering access to medical appointments and health care. The majority of the contracts within this procurement exercise form the core of the essential bus network in north Surrey, essentially in a triangular area bordered by Kingston, Staines and Woking.

##### **Background**

3. In 2016, Abellio Surrey, a major supplier of supported bus services, decided that for commercial and operational reasons, they wished to downsize their Surrey business, thereby resigning from the contracts to provide certain services, effective 31 December 2016. Having conducted a full independent evaluation of the business, it was concluded that, on balance, these resignations should be accepted. Emergency arrangements were made to secure alternative suppliers for these services, pending a procurement exercise to test the market in respect of those contracts that Abellio retained, as well as those awarded to alternative suppliers. In addition, this procurement tranche was expanded to include the routine retendering of two contracts in the Guildford/Godalming/Cranleigh area.

4. The contracts now being awarded were previously retendered on various occasions between 2012 and 2016. The current procurement is to test the market to ensure best value to the Council on twenty four bus routes for which current contracts expire on the 1 September 2017.

### **Procurement Strategy**

5. A number of options were considered when completing the Strategic Procurement Plan (SPP) outlining the best route to market, prior to starting the procurement exercise. These were: (i) conduct a full open OJEU tender, (ii) conduct a mini competition using the Public Bus Dynamic Purchasing System (DPS), (iii) do not deliver any service.
6. After a full and detailed options analysis it was decided to conduct a mini competition using the DPS as this demonstrated best value for money from the options appraisal completed.
7. A DPS is similar to an electronic framework agreement, with two exceptions, new suppliers can join at any time and it is to be run as a completely electronic process. Operators are requested to submit a tender and are evaluated against strict quality standard set by the Council's Travel & Transport Group (T&TG).
8. Successful Operators are placed on an approved supplier list attached to the DPS and will have the opportunity to quote for any future work the Council is advertising.
9. The DPS was subject to the full OJEU process which reduces the resources required to conduct the mini competition. Bus Operator feedback has also been welcoming of the DPS process. Additionally, the award process has been designed on a price only basis which would drive commercial competition within the supply base.
10. A joint Procurement and project team was set up to include representatives from the T&TG.
11. By awarding a contract to the suppliers recommended for the provision of Public Bus Services to commence on 2 September 2017, the Council will be meeting its duties and ensuring bus routes serve communities across Surrey.
12. Performance will be monitored through a series of Key Performance Indicators as detailed in the contract and reviewed at monthly operations meetings.
13. The T&TG arrange regular Continuous Improvement Meetings to promote continuous improvement in the delivery of the Services provided under the Contract.
14. The T&TG also check on insurances, operating licences, concessionary travel scheme claims, that the delivery of the service is consistent with that in the specification, the operator complies with Surrey County Councils (SCC) Code of practice, operators deliver 100% of the mileage / routes to the timetables submitted at tender, health and safety issues are addressed and that information about services is made available by the operators to the necessary agencies for access by members of the public.

15. The management responsibility for the contracts lies with the Bus Service Planning Team Manager and within the T&TG.

### **Competitive Tendering Process**

16. The Dynamic Purchasing system was established in 2015. The objective was to establish an approved supplier list of Operators who have met strict quality standards and a more efficient method of tendering.
17. In January 2017 East Sussex County Council and West Sussex County Council joined SCC on the Public Bus DPS making it more attractive to suppliers, increasing competition and using one set of contract terms and service levels across a region.
18. The DPS is open permanently and new bids can be submitted at any time.
19. There are currently twenty five Operators on the DPS.
20. The DPS was designed to evaluate Operator quality at stage 1. Therefore all subsequent mini competitions are based entirely on price evaluation. This process ensures that suppliers achieve the quality rating required to deliver the service and achieve maximum value for money.
21. Prices were submitted on a fixed basis for the duration of the contract and in line with other bus contracts. However, upon agreement by the T&TG, prices may be amended in line with RPIX at the applicable rate, to a maximum of 3%, if requested but not before 1 September 2018 and annually thereafter.
22. An invitation to tender was sent to the twenty five suppliers on the DPS who were given 32 days to complete and submit their tender.
23. Twelve Operators submitted bids for individual or bundled services with an aim to offer the most cost-effective bid.
24. Of these twelve Operators, it is recommended that nine are awarded contract(s).

### **CONSULTATION:**

25. The Procurement department have worked alongside the T&TG colleagues at all stages of the commissioning and procurement process.
26. The T&TG have strong relationships with Operators through the current contract management process. This has led to the avoidance of price increases and good communication between SCC and Operators.
27. Any changes will be outlined to the public and interested parties during the summer in advance of the new contract start.

### **RISK MANAGEMENT AND IMPLICATIONS:**

28. The contract terms and conditions have been drafted by SCC Legal Services and were updated in December 2016 when East Sussex County Council and West Sussex County Council joined the DPS.

29. Default procedures are comprehensively addressed in the terms and conditions. Furthermore, both The Council and Operator can terminate the contract with 90 days written notice.
30. All operators successfully completed satisfactory financial checks prior to acceptance onto the DPS.
31. The Operators will use their own assets to perform the contract and will retain so upon contract expiry.
32. TUPE may apply with the transition of employees from incumbent firms to the new Operator and, if applicable, will do so in line with TUPE regulations.

#### **Financial and Value for Money Implications**

33. Full details of the contract value and financial implications are set out in the Part 2 report.
34. The procurement activity has delivered a solution within budget and generated significant savings which are essential to cover additional pressures that have arisen since the MTFP was agreed and to help achieve a sustainable means of delivering savings which are currently met from one-off resources.
35. The new contract will mean a decrease in the overall cost of the contracts, as well as certain service improvements being delivered under some of the contracts.

#### **Section 151 Officer Commentary**

36. The County Council is facing a very serious financial situation, whereby there are still substantial savings to be identified and delivered to achieve a balanced budget in the current year and a sustainable budget plan for future years.
37. The Section 151 Officer can confirm that the costs of the proposed Bus Subsidies Contracts set out in this paper are within the budget envelope for these services that has been included within the current Medium Term Financial Plan.

#### **Legal Implications – Monitoring Officer**

38. The procurement is in accordance with the Public Contract Regulations 2015 and the Procurement Standing Orders (PSO).
39. Under Section 63(1)(a) of the Transport Act 1985, Local Transport Authorities must secure the provision of such public passenger transport services as the Council consider it appropriate to secure to meet any public transport requirements within the County which would not in their view be met apart from any action taken by them for that purpose.

#### **Equalities and Diversity**

40. The procurement process was undertaken through a transparent tender procedure. The contract document stipulates that the supplier will comply with the relevant Equality and Diversity legislation.

<b>WHAT HAPPENS NEXT:</b>
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41. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award (including 'call in' period)	27 June – 6 July 2017
Contract Signature	7 July 2017
Contract Commencement Date	2 September 2017

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**Annexes:**

None.

**Sources/background papers:**

None

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